ANNUAL REPORT

for the fiscal year
ending March 31, 1988

Nova Scotia Farm Loan Board

89-04938/

His Honour
The Honourable Alan R. Abraham, C.D.
Lieutenant Governor of the
Province of Nova Scotia
Government House
Halifax, Nova Scotia

May It Please Your Honour,

I have the honour to submit the Annual Report of the Nova Scotia Farm Loan Board for the fiscal year ending March 31, 1988.

Respectfully submitted,

Roger S. Bacon, Minister
Department of Agriculture
& Marketing

The Honourable Roger Bacon
Minister of Agriculture & Marketing
Province of Nova Scotia
Halifax, Nova Scotia

Sir:

On behalf of the Nova Scotia Farm Loan Board, we have the honour of presenting the fifty-sixth Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 1988.

As required by Section 11 of the Agriculture and Rural Credit Act, 1967, this report contains a summary of Board activities and the audited financial statement.

Yours truly,

Arnold A. Rovers
Director

Lawrence H. Coldwell
Chairman

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THE NOVA SCOTIA FARM LOAN BOARD

Board Members

Chairman	Lawrence Coldwell
Vice-Chairman	John McLean
Member	Theodore Mattie
Member	Gordon Creelman
Secretary to the Board	Arnold Rovers

Principal Officers

Director	Arnold Rovers
Loan Supervisor	Robert Adams
Loan Supervisor	Ralph Taylor
Accountant	Michael Cassidy
Solicitor to the Board	Jonathan Davies
Auditor	Auditor General

Truro Office

Loan Officer	David Arenburg
Loan Officer	Ian Blenkharn
Loan Officer	Derrick Jamieson

Kentville Office

Senior Loan Officer	Allister Marshall
Loan Officer	Wayne MacLeod

Antigonish Office

Loan Officer*	Vernon Murray

*Services seconded by Extension Division

DIRECTOR'S REPORT

The Nova Scotia Farm Loan Board has governmental responsibility to enhance the establishment and development of Nova Scotia farms by providing financial services to Nova Scotia farmers. The Board operates under the authority of the Agriculture and Rural Credit Act. Through the provisions of the Act, capital funds are made available to enable the Board to provide loans on a long-term fixed interest basis. In addition, programs and funds made available by the Department of Agriculture and Marketing are administered by the Board. These programs provide further developmental assistance for Nova Scotia agriculture.

The year ending March 31 1988 was the Nova Scotia Farm Board's fifty-sixth year of providing financial services to the Nova Scotia agricultural industry. Like its predecessors—the Nova Scotia Land Settlement Board and the Nova Scotia Miners Settlement Board—the Nova Scotia Farm Loan Board provides stability in financing Nova Scotia farmers. Agriculture is a diverse land base industry concerned with the production, processing, distribution and marketing of food, and is subject to many influencing factors, both external and internal. As the primary lender of long term capital, the Board acts as a stabilizing force to the agricultural industry.

Continued recovery in the agricultural industry was evident and encouraging to the farm community. Net farm income increased from $62.6 million in 1984 to $67.5 million in 1985 to $76.1 million in 1986 and $100.4 million in 1987 with an overall average increase per year of $9.8%. Interest rates have remained stable. Total debts outstanding to agricultural lenders by farmers have reduced from $212.6 million in 1984 to $203.2 million in 1987 or by 1.52% per year. Financing provided by the Nova Scotia Farm Loan Board has increased by $3.3 million over the previous year. Farm loans provided by chartered banks, credit unions, trust companies, private individuals and federal agencies however, have been reduced by $7.4 million over the same period.

Production continued to expand in 1987–88, primarily in the dairy, fur, and poultry meat sectors. Productivity gains were made throughout the agricultural sector as farmers continued to lower unit production costs while increasing production by an average 3% per year over the past decade. Implementation of the five-year, $11.25 million Federal/Provincial Atlantic Livestock Feed Initiative to assist farmers in producing on-farm feed components has also expanded the total activity on the farm.

The Nova Scotia Farm Loan Board, as the primary lender of long term capital to the agricultural industry, concentrates its human and financial resources on the co-ordinated development of financially sound farm operations. Increased production, new technology and enhanced market development has substantially increased the demand for long-term loans. Long term loan capital through the Board continues to expand. The total capital commitment by the Board to the agricultural industry was $142 million on March 31, 1988; an increase of 3.3 million dollars from the previous year. The rate of increase has declined, however. Expanding capital repayment from the existing loan portfolio has allowed the Board to utilize repayment capital for new loans to the industry.

The agricultural industry continues to attract young farmers, particularly in the supply management commodities. Difficulties exist in establishing and transferring these farms as the capitalization of production systems increases, especially through quota values. The reduction of risk offered by the supply management commodities has created a greater demand for this type of farm. As the capital required to establish a farm continues to increase, the average age of farmers increases and consolidation of units takes place.

The key to the establishment and continued development of farms is the advisory services provided by the Nova Scotia Farm Loan Board. Extensive efforts are made by staff as well as other departmental specialists to ensure that potential and present borrowers receive the best counselling available to develop individual opportunities.

To enhance the development of the agricultural industry generally and to achieve excellence in programs, the Department of Agriculture and Marketing, and the Nova Scotia Farm Loan Board have created an excellent working relationship between the Federation of Agriculture and commodity groups. This liaison provides leadership and vision for the industry. In the administration of public affairs, it allows the Board to form a partnership with farmers. Opportunities are made available to discuss and resolve issues of special concern to these agencies.

Because of its structure, diversity and impact on the Nova Scotia economy, agriculture remains a vital growth industry in the province. The commitment of the board to serve the industry with its credit and development policies will enhance the industry's opportunities. Consultation and co-operation among farmers, farm organizations, and government remain a priority for the Board in order to achieve the co-ordinated

development of agriculture.

FARM LOAN BOARD PROGRAMS

Lending Programs

The Nova Scotia Farm Loan Board provides direct loans to Nova Scotian farmers living on the farms where financing applies. Loans are also available to partnerships and companies. Loans are in three parts, *commercial, part-time* and *timber.*

Commercial. Loans of up to $300,000 are available at 8% interest on the first $150,000 of loan and 10% on the next $150,000. Loans in excess of $300,000 are available at prevailing interest rates with Board and Governor-In-Council approval. The maximum term is thirty years, although most loans are for 20–year periods. Loans are primarily for farm purchase or capital development.

Commercial farms must achieve at least $10,000 in on-farm production or 50% of the family's income from the farm. Loans must be to financially sound units, where the farm can support a farm family and repay the loan from the farm program.

Part-Time. Loans of up to $45,000 are available at 10% interest. A significant part-time farm program is commensurate with the size of the loan required. The maximum term is twenty years.

Timber Loans. The Nova Scotia Farm Loan Board acts as the Timber Loan Board to review loans to mill operators for timber land acquisitions. Loans are available under the same terms as commercial farm loans to owners of wood product mills.

Farm Consolidation Program

The Farm Loan Board administers a program of land acquisition and leasing of agricultural lands to farmers. Land acquisition proposals are approved by a Land Purchase and Lease Committee, based on the appraised value of the land and other conditions outlined in the program. Lands acquired are available for lease with an option to purchase. Lease fees are 8% of initial acquisition costs plus taxes. Options to purchase may be exercised under specific conditions at the end of five year lease terms. Options to renew leases are also available.

Direct Assistance Programs

Three financial assistance programs are available through the Board:

Young Farmers Interest Forgiveness Policy. This policy is designed to encourage young farmers to acquire and develop a farm. Assistance is based on the amount of interest charged on initial principal borrowings from the Farm Loan Board or Farm Credit Corporation for a two year period. The maximum assistance is $30,000 over two years.

The funds approved by the Board may be used to: a) provide equity contributions to assist in the purchase of a farm; b) delay or reduce payments based on cash flow; and/or c) provide capital improvement projects to assist in farm development.

Interest Subsidy Policy. This policy provides for direct assistance to reduce interest payments by farmers. Assistance is based on 2.5 per cent of principal balance outstanding with the Farm Loan Board, Farm Credit Corporation or the Veterans' Land Act. The maximum assistance available is $1,250 per year per farm.

Pork Stabilization Policy. Upon the direction of the Department of Agriculture and Marketing, the Board has made available interest free loans to the Nova Scotia Pork Stabilization Board and thereby to pork producers in Nova Scotia. As of September, 1985, the policy was changed to a non-contributory program. As a result, no further advancements on behalf of producers will be made through the loan program of the Board.

Indirect Assistance Programs.

A counselling service is provided to evaluate farm proposals. The establishment of effective lines of communication with the farming clientele allows for a comprehensive analysis of financial projections and proposals. An advisory service is also provided to farms in financial difficulty, including a review of historical conditions, an evaluation of the current situation and projection of changes required, leading up to financial improvement. These services are provided in close co-operation with the Farm Management Division and Commodity Specialists of the Department of Agriculture and Marketing.

BOARD OPERATION OVERVIEW

Direct Loans

During the fifty-sixth year of Board operations, the Board met on 9 occasions encompassing 19 days. Loan activity increased substantially during the past year reflecting improvements in the level of farm incomes and better conditions in the farm economy. Farmers expanded their farm operations although productivity enhancement continued to be a basic farm strategy during the year. A total of 201 loans were approved and accepted by borrowers for total loans of $16,383,019.63.

In addition to its loan function to agriculture and owners of forest product mills, staff of the Farm Loan Board administered policies of reduced interest and assistance to new farmers. The staff of the Board purchased and administered properties for lease to qualified individuals at the request of the Land Purchase and Lease Committee. The administration of the property purchased under ARDA Project 22015 in the period 1965–1971, was a continuing responsibility.

During the year under review, the Board approved and farmers accepted 88 new loans totalling $11,393,149. The new loans included 81 to Commercial operations and 7 to Part-time Farmers.

The Board also approved and had accepted 111 additional loans to existing farmers totalling $4,883,520. The additional loans included 110 to Commercial farms and 1 to Part-time Farmers.

In addition, 39 applications for loans in the amount of $4,774,200 were rejected due to the inability of the applicants to meet the requirements of the Board. There were also 4 applications in the amount of $629,800 approved but not finalized.

Additions to loans were primarily for building construction, renovations and land purchases. Substantial increases in loan activity were experienced in nearly all sectors with the exception of the pork industry. Loans for quota purchase and indebtedness dropped significantly from previous years, indicating an overall improvement in the overall farm financial situation.

The number of farmers with loans decreased to 1506 in 1987–88, from 1544 the year before. Part of the decrease reflected a consolidation, as more partnerships and family farm companies were established, and

as existing farmers enlarged their units by bringing children into an expanded farm unit.

Total payments by farmers on loans increased to $22,930,749 made up of $12,713,086 principal and $10,217,663 interest. An additional $486,273 was received in insurance premiums. Arrears by farmers continued to be a problem area although payments in arrears decreased from $3.1 million to $2.9 million, reflecting improvements in the farm economy, and extensive efforts by staff in working with farms in financial difficulty.

Timber Loans

The Board also approved 2 applications for loans to assist owners of forest product mills in the purchase of forest land with loans of $106,350. The number of loans outstanding in 1987–88 was 49. Total dollars outstanding at the end of the year were $1,080,806.

Staff of the Farm Loan Board were responsible for adminstrative detail with respect to receiving applications, preparing documents, loan disbursement and loan records. Personnel of the Department of Lands and Forests carry out loan appraisals and prepare reports and recommendations. In addition, they supervise requests to cut forest products from land held as security for loans and establish stumpage rates for material removed.

Farm Consolidation and Land Use

In the period 1965–1970, under the terms and conditions of a joint Government of Canada—Province of Nova Scotia ARDA Project, properties were purchased for leasing to enlarge commercial farm operations. The initial lease was for a term of five years with the Lessee having the option to purchase or renew the lease for a further term. The administration of properties under lease is a continuing responsibility of the Board.

One hundred and thirty-seven rental statements were issued in October, 1987. The balance of dollars outstanding on March 31, 1988 under this program was $455,416.

Twenty-two Lessees exercised their option to purchase leased property in 1987–88.

Land Purchase and Lease

The Nova Scotia Department of Agriculture and Marketing continued a program of land purchase and leasing which was introduced in the 1974–75 fiscal year. The Farm Loan Board, at the request of the Land Purchase and Lease Committee carries out the administrative details involved in the purchase, lease and administration of these properties. The maximum amount available for the acquisition of property for any farmer is $100,000.

Thirteen properties were purchased at a cost of $415,939 in the year under review. In total, 339 properties are currently held under the program. The current outstanding account on the properties is $9,494,752.

Interest Subsidy Program

The Board continued to maintain responsibility for the administration of the Interest Subsidy Policy of the Nova Scotia Department of Agriculture and Marketing. During the year, 1271 farmers were deemed eligible for $1,183,531 in assistance, for an average payment per farmer of $931.18.

Benefit to Young New Starting Farmers

The policy of two years Interest Forgiveness to new young farmers, introduced by the Department of Agriculture and Marketing in the 1974–75 fiscal year, was continued in 1987–88.

Benefits in the amount of $313,783 were made to 33 applicants who qualified in the first year of eligibility. There were 33 qualified applicants in their second year of eligibility and the benefit totalled $262,999 for a total benefit during the 1987–88 fiscal year of $576,782.

Pork Stabilization Policy

On March 31, 1988 the balance owing the Nova Scotia Farm Loan Board from the Pork Stabilization Board was $4,221,049. These funds are to be repaid by the industry when prices exceed stabilization levels from deductions per hog marketed.

During 1987–88 pork producers paid $1,283,890 towards outstanding loans. This was a result of a short period of higher than expected pork prices during 1987.

Insurance

The Farm Loan Board administers a life and total disability group insurance for farmers. The policy is held with the Mutual Life Assurance Company of Canada. Total insurance in force at the end of 1987–88 was $109,718,231.

During the year 7 claims were approved by Mutual Life for total payments of $195,091.

STATISTICAL OVERVIEW

Number of Loans Approved by Purpose, 1987–88

Number of New Loans:	88
Number of Additional Loans:	111
Number of Timber Loans:	2

Purpose	$Amount	% of Total
Beef	$ 713,064.50	4.4
Dairy	7,386,720.00	45.1
Hog	621,149.85	3.8
Poultry	3,463,600.00	21.1
Fruit & Vegetables	1,290.465.00	7.9
Fur	418,700.00	2.6
Other Livestock	73,800.00	.5
Other Farm Buildings	386,800.00	2.4
Silo	100,300.00	.6
Manure Storage	34,000.00	.2
Land Purchase & Timber Loan	1,387,470.28 106,350.00	9.0
Quota	266,250.00	1.6
Indebtedness	134,350.00	.8
	$16,383,019.63	100.0%

Operations of the Board, 1986–87 and 1987–88

Accounts	1987–88 No.	1987–88 $Amount	1986–87 No.	1986–87 $Amount
Loan Accounts	1,506	$125,226,918	1,544	120,377,327
ARDA Accounts	122	455,416	144	523,603
Land Bank Accounts	339	9,494,752	345	9,483,193
Timber Loan Accounts	49	1,080,806	56	1,099,020
Loans Approved	199	16,276,669	250	15,206,350
Loans Paid Off During Year	126		123	
ARDA Leases Issued	137		153	
ARDA Properties Sold	22		14	
Land Bank Leases Issued	339		349	
Land Bank Properties Purchased	13	415,939	16	344,259
Timber Loan Board New Approvals	2	106,350	9	400,013
Farm Loans Rejected	39	4,774,200	37	2,989,500
Farm Loans Cancelled	4	629,800	6	146,700
Receipts				
Principal Payments		12,713,086		10,722,878
Interest Payments		10,217,663		9,927,834
Life Insurance		486,273		475,488
Rental & Miscellaneous Receipts		692,677		576,653
Arrears of Payments, March 31		2,876,457		3,070,715
Insurance				
Death & Disability Claims	7		8	
Amount Paid		195,091		448,410
Total Value of Life Insurance		109,718,231		106,747,554
Board				
Number of Board Meetings	9		9	
Number of Days	19		21	

Interest Subsidy Program	1987—88		1986—87	
Farm Loan Board	1,170	1,117,577	1,120	1,097,426
Farm Credit Corporation	96	64,548	106	72,667
Veterans Land Act	5	1,406	7	1,833
TOTAL	1,271	1,183,531	1,233	1,171,926

Establishing Farmer Program				
Farm Loan Board, 1st Year	33	313,783	30	225,043
Farm Loan Board, 2nd Year	30	225,043	28	233,116
Farm Credit Corporation 1st Year	0	0	3	37,956
Farm Credit Corporation 2nd Year	3	37,956	0	0
TOTAL	66	576,782	61	496,115

NUMBER OF LOANS APPROVED BY COUNTY 1987–88

	New Loans				Additional Loans				Total Loans	
COUNTY	NO.	COMMERCIAL	NO.	PART TIME	NO.	COMMERCIAL	NO.	PART TIME	NO	TOTAL
Annapolis	3	995,600.00	0	—	4	133,740.00	0	—	7	1,129,340.00
Antigonish	3	853,000.00	0	—	9	271,300.00	0	—	12	1,124,300.00
Cape Breton	3	262,240.00	0	—	3	223,600.00	0	—	6	485,840.00
Colchester	11	1,392,200.00	1	20,400.00	6	173,800.00	0	—	18	1,586,400.00
Cumberland	18	1,174,510.00	1	4,800.00	13	344,100.00	0	—	32	1,523,410.00
Digby	4	127,600.00	0	—	5	199,500.00	0	—	9	327,100.00
Guysborough	2	177,100.00	0	—	0	—	0	—	2	177,100.00
Halifax	0	—	1	45,000.00	5	98,950.00	0	—	6	143,950.00
Hants	9	1,817,149.35	0	—	10	420,900.00	0	—	19	2,238,049.35
Inverness	4	142,000.00	0	—	6	391,300.00	0	—	10	533,300.00
Kings	15	2,648,100.00	1	20,400.00	29	1,896,695.24	0	—	45	4,565,195.24
Lunenburg	1	56,000.00	0	—	6	392,290.00	0	—	7	448,290.00
Pictou	7	1,494,550.00	2	75,500.00	14	334,345.04	1	3,000.00	24	1,907,395.04
Queens	0	—	0	—	0	—	0	—	0	—
Richmond	0	—	0	—	0	—	0	—	0	—
Shelburne	0	—	0	—	0	—	0	—	0	—
Victoria	1	42,000.00	1	45,000.00	0	—	0	—	2	87,000.00
Yarmouth	0	—	0	—	0	—	0	—	0	—
TOTAL	81	11,182,049.35	7	211,100.00	110	4,880,520.28	1	3,000.00	199	16,276,669.63
Timber Loan Board									2	106,350.00
										$16,383,019.63

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

FINANCIAL STATEMENTS

MARCH 31, 1988

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 1988

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AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Farm Loan Board and to the
Minister of Agriculture and Marketing

I have examined the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1988. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this balance sheet presents fairly the financial position of the Nova Scotia Farm Loan Board as at March 31, 1988, in accordance with the accounting policies set out in Note 2 of the financial statements, applied on a basis consistent with that of the preceding year.

O.P. Cormier, F.C.A.
Auditor General

Halifax, Nova Scotia
May 2, 1988

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
BALANCE SHEET
AS AT MARCH 31, 1988

ASSETS

	1988	1987
Accounts receivable	$ 99,870	$ 160,220
Loans receivable (Note 3)	123,028,774	118,415,602
Real estate (Note 4)	12,035,534	12,178,881
	$135,164,178	$130,754,703

LIABILITIES

Reserve for future premium increase in borrowers' group life and disability insurance	$ 605,018	$ 527,749
Advance from Department of Finance	142,059,160	138,726,954
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	4,221,050	5,000,000
Farm Loan Board Accounts	3,278,950	3,500,000
	7,500,000	8,500,000
Net Advance	134,559,160	130,226,954
	$135,164,178	$130,754,703

APPROVED ON BEHALF OF THE BOARD

Chairman

Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1988

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Agriculture and Marketing.

These amounts are not reflected in the attached financial statements, nor is accrued loan interest receivable.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1988

3. Loans Receivable

	1988	1987
Farm loans	$125,226,918	$120,377,327
Nova Scotia Pork Price Stabilization Board	4,221,050	5,439,255
Timber loans	1,080,806	1,099,020
	130,528,774	126,915,602
Less: Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	4,221,050	5,000,000
Farm Loan Board accounts	3,278,950	3,500,000
	7,500,000	8,500,000
	$123,028,774	$118,415,602

Advances to the Nova Scotia Pork Price Stabilization Board were authorized by the Department of Agriculture and Marketing under the Pork Price Stabilization program. The Nova Scotia Farm Loan Board carries these advances in its accounts, but is not responsible for the administration of the program or monitoring the individual advances to hog farmers.

In 1985 the provisions of the Pork Price Stabilization Program were amended to discontinue further recoverable advances to the producers. Advances outstanding at the time of the program revision remain recoverable under the original terms of the advance.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
NOTES TO BALANCE SHEET
MARCH 31, 1988

4. Real Estate—at cost

	1988	1987
Land consolidation, ARDA	$ 455,416	$ 523,604
Less: Federal Government share of cost of ARDA properties	293,392	339,027
	162,024	184,577
Land bank	9,494,753	9,483,194
Real estate being leased or held	2,307,131	2,439,484
Community pastures	71,626	71,626
	$ 12,035,534	$ 12,178,881

5. Commitments

As at March 31, 1988, the Board had authorized loans of $2,719,501 (1987 – $4,229,671) which had not been disbursed.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
CONTINUITY OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 1988

	1988	1987
Loans outstanding, beginning of year	$126,915,602	$124,908,804
Add: Advances made		
Farm loans	17,628,362	13,408,612
Nova Scotia Pork Price Stabilization Board	—	3,939
Timber loans	138,672	361,766
	17,767,034	13,774,317
Deduct: Payments received		
Farm loans	11,494,881	9,429,096
Nova Scotia Port Price Stabilization Board	1,218,205	1,165,393
Timber loans	156,886	128 389
Transfers from farm loans to real estate	1,283,890	1,044,641
	14,153,862	11,767,519
Loans outstanding, end of year	130,528,774	126,915,602
Allowance for doubtful accounts		
Nova Scotia Pork Price Stabilization Board	4,221,050	5,000,000
Farm Loan Board accounts	3,278,950	3,500,000
	7,500,000	8,500,000
Loans receivable, net of allowance	$123,028,774	$118,415,602